



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA

**FILED**

07-20-06  
03:44 PM

Order Instituting Rulemaking on the	)	R.04-09-003
Commission's own motion for the purpose of	)	(Filed September 9, 2004)
considering policies and guidelines regarding the	)	
allocation of gains from sales of energy,	)	
telecommunications, and water utility assets.	)	
	)	

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**JOINT COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY [U338-E],  
PACIFIC GAS AND ELECTRIC COMPANY [U39-M], SAN DIEGO GAS & ELECTRIC  
COMPANY [U902-M] AND SOUTHERN CALIFORNIA GAS COMPANY [U904-G]  
PROPOSING A DEFINITION FOR "MAJOR FACILITY" AS USED IN  
PUBLIC UTILITIES CODE SECTION 455.5**

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Dated: **July 20, 2006**

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Pursuant to Ordering Paragraph No. 11 of California Public Utilities Commission (Commission) Decision No. 06-05-041 and the *Administrative Law Judge's Ruling regarding Allocation of Gains on Sale of Utility Assets* issued on June 29, 2006 in this docket, Southern California Edison Company (SCE) Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company, and Southern California Gas Company (SDG&E/SoCalGas) (collectively, the Joint Energy Utilities) hereby submit the following comments proposing a threshold definition for "major facility" as that term is used in Section 455.5 of the Public Utilities Code.<sup>1</sup>

The Joint Energy Utilities propose to define "major facility" as: (1) any generation facility that represents *at least one percent (1%) of an electric utility's retained generation system capacity* (that system total would include the utility's ownership share in any jointly-

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<sup>1</sup> Pursuant to Commission Rule 2.2 (d), these comments are signed and tendered by SCE on behalf of all of the Joint Energy Utilities.

owned facilities); and (2) *any production facility that represents at least one percent (1%) of a gas utility's rate base*. For generation facilities, a reportable outage of a “portion of a major facility” should be interpreted as an outage of *an independently operating unit of a major facility*. This “One Percent” definition has the advantage of being scalable and apparently universally applicable across industries -- i.e., some reasonably similar interpretation could be used to apply the one percent definition to water facilities as well as electric and gas facilities.<sup>2</sup>

In practice, the One Percent definition would operate as follows, in the case of SCE, as an example: SCE's current owned capacity totals approximately 6000 MW. For SCE, therefore, a “major facility” would be any generation facility larger than 60 MW. Accordingly, for example, since SCE's share of San Onofre Nuclear Generating Station (“SONGS”) exceeds 60 MW, SONGS would constitute a “major facility” subject to reporting under Section 455.5. A reportable outage of a “portion” of a major facility would include, therefore, an outage of either Unit 2 or Unit 3 of SONGS. At present, for SCE the One Percent definition would capture Mountainview, each of SCE's shares in coal and nuclear facilities, and SCE's larger hydroelectric facilities, as “major facilities.”

Under this One Percent definition, “major facility” gets interpreted as a relative term, as was apparently implied by the legislature's choice of subjective words. Consequently, should a utility's owned capacity grow, whether through mergers, major acquisitions, or other major investments, then the one percent threshold would also grow, and smaller, now-less-significant facilities would drop out of the reporting requirement. Conversely, should a utility's owned capacity decline, whether through municipalization or other major divestiture, smaller units would become relatively more important to the overall system, and therefore appropriately would become reportable under Section 455.5.

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<sup>2</sup> PG&E has consistently suggested a 50 MW or \$50 million book value threshold, and this proposal is reasonably consistent with that proposal, plus has the advantage of providing an appropriate scaling for different-sized utilities.

Any regulation the Commission adopts to implement Section 455.5 should make it clear that it applies only to "generation" and "production" facilities as defined in the applicable Uniform System of Accounts (USoA). The Commission has, in the context of AB 6X (P.U. Code Section 377), held that when the PU Code uses the term "generation assets," the definition in the USoA is relevant to how the statute should be interpreted (D.03-06-028). Under the USoA applicable to electric utilities, "production" plant are those assets included in Accounts 310 through 346. Under the USoA applicable to gas utilities, "production" plant are those assets included in Accounts 304 through 347, which basically relate to the production of natural gas from wells and gathering of natural gas.

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July 20, 2006

## **CERTIFICATE OF SERVICE**

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of JOINT COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY [U338-E], PACIFIC GAS AND ELECTRIC COMPANY [U39-M], SAN DIEGO GAS & ELECTRIC COMPANY [U902-M] AND SOUTHERN CALIFORNIA GAS COMPANY [U904-G] PROPOSING A DEFINITION FOR "MAJOR FACILITY" AS USED IN PUBLIC UT on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

Transmitting the copies via e-mail to all parties who have provided an e-mail address.

First class mail will be used if electronic service cannot be effectuated.

Executed this **20th day of July, 2006**, at Rosemead, California.

/s/Robin Taylor  
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**R.04-09-003**

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